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# In the Supreme Court of the United States

KSR INTERNATIONAL CO.,

*Petitioner,*

v.

TELEFLEX INC., ET AL.,

*Respondents.*

**On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit**

## BRIEF OF THE BUSINESS SOFTWARE ALLIANCE AS AMICUS CURIAE IN SUPPORT OF PETITIONER

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## QUESTION PRESENTED

Whether an alleged innovation is obvious under 35 U.S.C. § 103—and therefore not patentable—*only* when prior art contains objective documentation of a "suggestion, teaching, or motivation" that would lead a person having ordinary skill in the art to combine the elements in the same manner as the claimed invention.

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## INTEREST OF THE AMICUS CURIAE[1]

The Business Software Alliance ("BSA") is an association of the world's leading software and hardware technology companies, including Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, Cadence Design Systems, Cisco Systems, CNC Software/Mastercam, Dell, Entrust, HP, IBM, Intel, Internet Security Systems, Microsoft, PTC, RSA Security, SAP, Solidworks, Sybase, Symantec, Synopsys, The Mathworks, and UGS. BSA's members collectively own more than 30,000 patents, and include three of the four leading U.S. based patent recipients for 2005. See Press Release, USPTO, USPTO Releases Annual List of Top 10 Organizations Receiving Most U.S. Patents, *at* http://tinyurl.com/c69e2 (Jan. 10, 2006). These companies—which represent an industry that is crucially important to the U.S. economy[2]—have an obvious stake in the proper functioning of the U.S. patent system.

BSA's members believe that the Federal Circuit's standard for assessing whether a particular combination of prior-

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[1] The parties have consented to the filing of this brief; the written consents have been filed with the Court. This brief was not authored in whole or in part by counsel for a party, and no person or entity, other than the *amicus curiae*, its members, and its counsel made a monetary contribution to the preparation and submission of this brief.

[2] In 2005, the information technology industry directly contributed $481 billion to the U.S. GDP. U.S. Dep't of Commerce, Bureau Econ. Analysis, *at* http://tinyurl.com/jyv4c. More important, though, are the industry's indirect contributions to the economy: Former Federal Reserve Bank Chairman Greenspan has observed that "information technology" and "information innovation lie[] at the root of productivity and economic growth" in the economy as a whole. Remarks Before the Economic Club of New York, NY: Technology and the Economy (Jan. 13, 2000), *at* http://tinyurl.com/a23za.

art elements is obvious—and therefore unpatentable—frustrates Congress's goal of ensuring that patents are granted only to deserving advances. Because the Federal Circuit's approach elevates objective documentation over the statutory requirements and common sense, it compels the U.S. Patent and Trademark Office ("PTO") to grant patents for inventions that would be obvious to any skilled practitioner of the art. The standard also makes it much more difficult for the party challenging a patent to demonstrate obviousness in court—and nearly impossible for it to do so at the summary-judgment stage.

The multiplication of undeserved patents resulting from the Federal Circuit's obviousness standard is especially harmful to technology companies because the complexity of technology products provides a fertile field for unjustified patent claims based upon combinations of preexisting inventions. A finding of obviousness under the Federal Circuit standard depends on the existence of objective documentation in the prior art, moreover, and the standard therefore places a particularly heavy finger on the scale in favor of patentability in the technology sector, where the prior art record is often incomplete.

BSA is well situated to demonstrate the flaws in the Federal Circuit's approach to obviousness and to explain the proper standard for courts to apply in making obviousness determinations.

## INTRODUCTION AND SUMMARY OF ARGUMENT

Congress withheld patent protection from inventions, even inventions that are novel and useful, whenever "the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103(a). As this Court explained in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), Section 103(a) codified the require-

ment that claimed inventions must take a sufficiently innovative step from the prior art in order to be patentable.

Under *Graham*, the determination whether an invention is obvious requires "factual inquiries" into "the scope and content of the prior art," the "differences between the prior art and the claims at issue," and "the level of ordinary skill in the pertinent art." 383 U.S. at 17. If the hypothetical person of ordinary skill in the relevant art would be capable of making the inventive step from the prior art, then the subject matter of the claimed invention is obvious.

The Federal Circuit has grafted a different and more restrictive test for obviousness onto the plain text of Section 103(a). It holds that a patent examiner or judge may deem a claimed invention that combines elements from the prior art to be obvious, and hence non-patentable, ***only*** if the prior art contains "some suggestion, teaching, or motivation * * * to combine the relevant prior art teachings in the manner claimed." Pet. App. 6a (internal quotation marks omitted). In the absence of such evidence, the Federal Circuit requires a finding of non-obviousness even if common sense dictates the opposite, because in the Federal Circuit's view "'[c]ommon knowledge and common sense,' even if assumed to derive from the [PTO's] expertise, do not substitute for authority." *In re Lee*, 277 F.3d 1338, 1345 (Fed. Cir. 2002).

The Federal Circuit's rigidity in determining obviousness results in the issuance of numerous questionable patents, and erects a substantial—and unjustifiable—barrier to overturning these questionable patents in litigation. Under the Federal Circuit's test, trivial changes to prior art, involving no substantial inventive step, receive patent protection because no documented "teaching, suggestion, or motivation" for the inventions can be identified by patent examiners. These dubious patents enjoy a presumption of validity when questioned in litigation, where they are again insulated against

challenge by the Federal Circuit's requirement of documentation in the prior art.

The Federal Circuit's rule makes it particularly difficult for defendants facing patent-infringement claims to establish obviousness at the summary-judgment stage. Even if the defendant can adduce undisputed evidence of a "teaching, suggestion, or motivation" to combine prior-art references, a court following the Federal Circuit's approach will withhold summary judgment if the patent holder can produce evidence of "secondary" indicia of non-obviousness, such as commercial success. But the holders of even illegitimate patents usually can produce evidence of such secondary factors. Accordingly, a defendant accused of infringing a patent on an obvious invention faces the unpalatable choice of undergoing an expensive trial with potentially bet-the-company stakes or paying an exorbitant settlement.

Technology companies are particularly vulnerable to the harmful practical effects of the Federal Circuit's standard. Hardware and software products often include many different components that can be rearranged in many different combinations. Because the prior art record for hardware and software is incomplete, it is often difficult for both patent examiners and companies accused of infringement to find documentation of prior combinations. The Federal Circuit's standard thus leads to a proliferation of unjustified patents for obvious combinations of prior hardware and software inventions—many of them obtained by patent speculators. The multiplication of such patents has a snowball effect, as others are forced to accumulate patents defensively. This phenomenon imposes huge transaction costs on businesses and the patent system, and obstructs real innovation.

The Federal Circuit's standard for determining obviousness is not supported by the plain language of the Patent Act or this Court's decisions. While documentation in the prior art surely is ***one*** way of demonstrating obviousness, it clearly

is not the ***only*** way the Patent Act permits. The Court should reaffirm its holding in *Graham* that the inquiry as to whether an invention is obvious is a flexible and context-specific one, undertaken from the perspective of a person of ordinary skill in the art, with appropriate but not undue consideration given to "secondary" factors. This will ensure that the requirement of non-obviousness serves as an independent and important limitation on patentability, as Congress intended.

## ARGUMENT

### I. THE PRACTICAL EFFECTS ON TECHNOLOGY INDUSTRIES OF THE FEDERAL CIRCUIT'S "TEACHING, SUGGESTION, OR MOTIVATION" RULE DEMONSTRATE THE STANDARD'S FLAWS AS A TEST FOR OBVIOUSNESS

The inevitable effect of the Federal Circuit's obviousness standard is to "permit the patenting of extremely trivial innovations" (John H. Barton, *Non-Obviousness,* 43 IDEA 475, 482 (2003)), merely because the documentation necessary to satisfy the Federal Circuit's test is absent. In fact, the Federal Trade Commission has discerned "a trend since the advent of the Federal Circuit toward reducing the size of the step required for patentability—that is, reducing the rigor of the nonobviousness standard." TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY ch. 4, at 8 (Oct. 2003) (hereinafter "FTC REPORT").

As the Federal Trade Commission explained, "[i]nventive processes typically involve judgment, experience, and common sense capable of connecting some dots. The suggestion test, rigidly applied, assumes away a [person having ordinary skill in the art's] typical levels of creativity and insight and supports findings of nonobviousness even when only a modicum of additional insight is needed." *Id.* at 14. The result is that "patents [are awarded] for inventions that inevitably would be forthcoming." *Ibid.*

By establishing an unwarranted barrier to finding obviousness, the Federal Circuit's standard creates several problems that are particularly acute for technology companies. First, because the Federal Circuit's rule makes it much more difficult to establish obviousness at the summary-judgment stage, the standard unduly inflates the settlement value of claims of infringement arising from questionable patents. Second, the standard results in a proliferation of illegitimate patents for trivial innovations that generate cost and uncertainty without spurring genuine advances. Third, because the Federal Circuit's rule makes the obviousness determination heavily dependent on written proof, it creates a particularly strong—and unjustifiable—bias in favor of patentability in the technology industries, where the prior-art record is incomplete.

### A. The Federal Circuit's Test Makes It Difficult To Establish Obviousness At The Summary-Judgment Stage, Making Infringement Claims More Expensive To Litigate And Riskier To Defend

It is critical that defendants in infringement actions have a reasonable chance to establish the invalidity of illegitimate patents at the summary-judgment stage. Defending patent infringement claims is expensive, and trials are unpredictable. If summary judgment is unavailable to defendants, then claimants holding patents of questionable validity will be able to extract exorbitant settlements from defendants who are reluctant to roll the dice on a trial. Under the Federal Circuit's standard, it is in fact inordinately difficult to establish obviousness before trial. The test thus gives the owners of dubious patents undue leverage to extract license fees from the manufacturers of allegedly infringing products.

Patent-infringement litigation is unusually expensive. According to a recent survey, the cost of litigating a patent-infringement case with less than $1 million at risk was ap-

proximately $290,000 through discovery and $500,000 through trial and appeal; the median cost of participating in a case involving between $1 million and $25 million at risk was approximately $1 million through discovery and $2 million through trial and appeal. See Am. Intellectual Prop. Law Ass'n, REPORT OF THE ECONOMIC SURVEY 22 (2003). These sums underestimate actual costs because a significant number of infringement cases involve claims of hundreds of millions of dollars.

Aside from the substantial litigation costs, the magnitude and unpredictability of a potential judgment makes the trial of an infringement case a daunting prospect. Since 2000, the median amount of damages awarded in patent cases following a bench trial has been $1.9 million. See PriceWaterhouseCoopers, 2006 PATENT AND TRADEMARK DAMAGES STUDY, at 3 ("PWC STUDY"). Trial before a jury is even riskier: during the same period, the median jury award was ***$8 million***—nearly ***four times*** the median bench award.

And a growing number of cases involve huge sums. Before 1990, only one patent damage award in history exceeded $100 million. William O. Kerr & Gauri Prakash-Canjels, *Patent Damages and Royalty Awards: The Convergence of Economics and Law*, *in* LES NOUVELLES at 83 (June 2003). In the 1990s, judgments or settlements in 13 cases topped that figure. The last six years have seen 21 more mega-cases, including one award for $1.35 billion. Internet Patent News Service & Source Translation and Optimization Co., *Patent/Copyright Infringement Lawsuits/Licensing Awards*, *at* http://www.iplaw-quality.com/economic/awards.htm.[3] With the potential stakes so high, many defendants simply cannot

[3] The number of patent-infringement claims also is growing. The number of new cases nearly tripled between 1991 and 2004, reaching 3,075 filings in 2004. See PWC STUDY, *supra*, at 3. See also Kerr & Prakash-Canjels, *supra*, at 83.

afford to continue litigating infringement claims that survive summary judgment.

Under any circumstances, establishing patent invalidity at the summary-judgment stage is an uphill battle. An issued patent enjoys a presumption of validity, see 35 U.S.C. § 282, which can be overcome only by clear and convincing evidence, see *Rockwell Int'l Corp. v. United States*, 147 F.3d 1358, 1364 (Fed. Cir. 1998). Accordingly,

> a moving party seeking to invalidate a patent at summary judgment must submit clear and convincing evidence of invalidity so that no reasonable jury could find otherwise. Alternatively, a moving party seeking to have a patent held not invalid at summary judgment must show that the nonmoving party, who bears the burden of proof at trial, failed to produce clear and convincing evidence on an essential element of a defense upon which a reasonable jury could invalidate the patent.

*Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 962 (Fed. Cir. 2001) (en banc).

While obtaining summary judgment on invalidity is always a challenge, the Federal Circuit's rule on obviousness stacks the deck even more heavily against a company accused of infringement. Failure to adduce the required objective documentation of a "teaching, suggestion or motivation" for the invention necessarily results in the denial of summary judgment to a defendant claiming obviousness.[4] This case is

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[4] See, *e.g.*, *Turbocare Div. of Demag Delaval TurboMachinery Corp. v. Gen. Elec. Co.*, 214 F. Supp. 2d 170, 181 (D. Mass. 2002) (finding a disputed issue of material fact where there was "no *explicit* suggestion in the technical literature, or on the face of the patents themselves," to combine the prior art in the manner claimed and the patent holder's expert testified that the patent would not have been obvious) (emphasis added); *Emerson Elec. Co. v. Spartan Tool, LLC*, 223 F. Supp. 2d 856, 912 n.48 (N.D.

a perfect example of that phenomenon—the Federal Circuit reversed the district court's grant of summary judgment because the available prior-art references did not anticipate the exact combination at issue with sufficient particularity. See Pet. App. 1a, 12a–16a.

At the same time, a defendant who cannot produce such evidence is vulnerable to a ruling on summary judgment that the invention is non-obvious. In fact, of the five published district court opinions granting summary judgment on the issue of obviousness in 2005, every single one favored the patentee. See Univ. of Houston Law Ctr. Inst. for Intellectual Prop. & Info. Law, *Patstats*, *at* http://www.patstats.org.

Moreover, even if the infringement defendant proffers the requisite documentation of "teaching, suggestion, or motivation," the Federal Circuit's approach makes it easy for the patentee to avoid summary judgment by creating a factual issue. As we discuss further below, the Federal Circuit instructs the lower courts to deny summary judgment if the patent holder submits in rebuttal ***any*** objective evidence of non-obviousness, such as commercial success. *Pro-Mold & Tool Co. v. Great Lakes Plastics, Inc.*, 75 F.3d 1568 (Fed. Cir. 1996); see also Glynn S. Lunney, Jr., *E-Obviousness*, 7 MICH. TELECOMM. & TECH. L. REV. 363, 375 (2001) (observing that the Federal Circuit has elevated "secondary considerations, such as commercial success, * * * to a central, if not dominant, role in the obviousness inquiry").

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Ohio 2002) (denying summary judgment because patent challenger did not point to "specific information in the prior art references that suggests their combination"); *Remcor Prods. Co. v. Scotsman Group, Inc.*, 860 F. Supp. 568, 574 (N.D. Ill. 1994) (holding that challenger's failure to "assert a motivation or suggestion in the prior art to combine all three references" precluded summary judgment).

In addition, the Federal Circuit has discouraged lower courts from finding obviousness through the exercise of common sense. See *In re Lee*, 277 F.3d at 1345. These restrictions make it even more difficult for courts to conclude as a matter of law that an invention is obvious, and more likely that any factual dispute related to the issue of obviousness—even a seemingly immaterial one—will result in a costly and risky trial.

The difficulty of proving obviousness at the summary-judgment stage vastly increases the cost of infringement claims. When a patent holder sends a letter demanding licensing fees from an alleged infringer, the target company knows that it may prevail—if at all—only after an expensive trial, and thus may be forced to settle for an inflated sum. As we next discuss, moreover, technology companies may face multiple potential infringement claims in connection with the launch of a single new product. The prospect of expensive and protracted litigation to defeat an infringement claim can create a substantial disincentive to innovation.

### B. The Availability Of Patents For Obvious Combinations Of Prior Art Imposes Substantial Costs On Technology Companies

Because of the nature of their products, technology companies are strongly affected by the award of patents to obvious combinations of prior art. Hardware and software products often include many different components, each of which may be covered by different patents. Thus, software programs can consist of millions of lines of codes, FTC REPORT, *supra*, ch. 3, at 44, and "a given semiconductor product * * * will often embody hundreds if not thousands of 'potentially patentable' technologies." Bronwyn H. Hall & Rosemarie Ham Ziedonis, *The Patent Paradox Revisited: An Empirical Study of Patenting in the U.S. Semiconductor Industry, 1979–1995*, 32 RAND J. ECON. 101, 110 (2001). With so many components in each product, opportunities abound

to seek patents for a combination of several components, no matter how obvious, and then argue that any company using that combination must obtain a license.

Under these circumstances, the availability of patents for obvious combinations of prior art has a snowball effect, leading to the proliferation of dubious patents. When patents are easy to obtain, more patent applications are filed. See Adam B. Jaffe & Josh Lerner, INNOVATION AND ITS DISCONTENTS 175 (2004) ("While the increase in the rate of patent applications over the last two decades is driven by many factors, one important factor is the simple fact that it has gotten so much easier to get a patent, so applications that never would have been submitted before now look like they are worth a try."). Patent speculators fuel this trend: as Justice Kennedy has recently pointed out, "[a]n industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees." *eBay Inc. v. MerExchange, L.L.C.*, 126 S. Ct. 1837, 1842 (2006) (Kennedy, J., concurring). And as more patents are awarded, more companies seek them defensively.

Many questionable patent claims in the technology sector arise in connection with the voluntary standards that are necessary to make technology products interoperable. After a voluntary standard is agreed upon, and products conforming to the standard begin to be manufactured, the manufacturers receive letters—often from previously-unknown patent holders—claiming that any product incorporating the voluntary standard necessarily infringes their patents, and that a license fee must be paid on ***every single*** product that utilizes the standard.[5]

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[5] See, *e.g.*, Martin LaMonica, *Small Company Makes Big Claims on XML Patents*, CNET News.com, Oct. 21, 2005, *at* http://tinyurl.com/ae9dpq (firm asserts ownership of XML, "a widely used method for storing and sharing information in many forms, from purchase orders to information in Web pages" developed by the

These additions to the patent thicket impede rather than encourage genuine innovation. First, the multiplication of patents for obvious combinations increases both the resources that must be poured into patent searches and the risk of infringement claims—making it more difficult to market new products.[6] Second, the increase in patent applications interferes with the effective administration of the patent system. Indeed, the recent explosion of new patent applications has strained the resources of the PTO and required the hiring of thousands of inexperienced patent examiners. See USPTO, Performance and Accountability Report Fiscal Year 2005, at 3, *available at* http://tinyurl.com/qvjmh (reporting PTO's hiring of new examiners at the rate of 1,000 per year).

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World Wide Web Consortium in the 1990s); Peter Judge, *Wi-Fi World Under Threat from Symbol Patent: Wireless Vendor to Seek License Fees from All Wi-Fi Equipment Vendors*, Techworld.com, Sept. 23, 2004, *at* http://tinyurl.com/gjt2s (a number of patent owners claim that their patents are infringed by every device compatible with the Wi-Fi standard for wireless communication); Matt Hines, *Graphics Patent Suit Targets Dell, Others*, CNET News.com, Apr. 23, 2004, *at* http://tinyurl.com/ae73h (firm claiming to own a patent covering the JPEG standard for sharing images on the Internet has sued 30 companies);.

[6] As several panelists explained to the FTC when it explored the issue, "the plethora of patents in the computer hardware industry makes it 'virtually impossible to search all potentially relevant patents, review the claims,' and evaluate the infringement risk." FTC REPORT, *supra*, ch. 2 at 3. See also Julie E. Cohen & Mark A. Lemley, *Patent Scope and Innovation in the Software Industry*, 89 CAL. L. REV. 1, 43 (2001) ("the diffuse nature of the knowledge base and the lack of a comprehensive system for cataloguing and indexing software-related developments defy even the most knowledgeable and diligent examiner[s]"). In these industries, therefore, "the danger that a manufacturer will step on a land mine is all too real." Carl Shapiro, *Navigating the Patent Thicket: Cross Licenses, Patent Pools, and Standard Setting*, in INNOVATION POLICY AND THE ECONOMY 126 (Adam B. Jaffe et al., eds., 2001).

The growth in illegitimate patents for obvious combinations of existing art inhibits innovation in another way: it diminishes the value of the patents on the component parts, even if those components were truly innovative and the combination was not. As one patent law professor has explained:

> "So I get a patent on the telephone, but * * * somebody can get a patent on using the telephone to place business orders, using the telephone to place orders for airline tickets, using the telephone to do other things, then pretty soon I lose my royalties. My royalties are diminished because in order to sell my telephone somebody's going to say well, I'd be willing to pay $100 for the telephone, if I could use it. But now, I've got to pay some money to you, and I've got to pay some money to all these other people who've got patents on the uses of the telephone. So I'll give you $10, and I'll spread out the other money that I'm willing to pay to all these other inventors who've got massive numbers of patents on that."

John Duffy, Address to Am. Enter. Inst. For Pub. Policy Research: The Patent System & the New Ecoomy (Mar. 10, 2005), at http://tinyurl.com/zw3ez; see also FTC REPORT, *supra*, at 5 ("if the required step [for patentability] is too small, * * * an initial inventor must split royalties with improvers that otherwise could not patent in the 'obvious' area around the initial patent") (footnote omitted).

This dilutive effect is particularly pronounced in the technology sector, where a single product may implicate scores of different patents. The resulting reduction in the value of patents on truly innovative inventions is the precise opposite of the result intended by the patent law.

### C. The Often-Incomplete Prior-Art Record For Hardware And Software Magnifies The Negative Effect Of The Federal Circuit's Standard

By directing the courts to look only at published materials in making determinations about non-obviousness, the Federal Circuit's test requires an inquiry that often makes little sense. As the National Academies of Science observed, "creative people generally speaking strive to publish *non*-obvious information. So if it is obvious to those of skill in the art to combine references, it is unlikely that they will publish such information." Nat'l Res. Council, A PATENT SYSTEM FOR THE 21ST CENTURY 90 (2004) ("NRC REPORT").

Because of its focus on documentation, the Federal Circuit's test creates especially acute problems for technology patents. Observers of patent law have frequently noted the difficulty of finding records of inventions involving computer hardware and software.[7] Despite ongoing efforts to gather descriptions of otherwise undocumented inventions,[8]

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[7] See, *e.g.*, Richard S. Gruner, *Everything Old is New Again: Obviousness Limitations on Patenting Computer Updates of Old Designs*, 9 B.U. J. SCI. & TECH. L. 209, 275 (2003) ("These new processing techniques or other computer-based inventions similar to the updates may not appear in the relevant prior art. Therefore, the suggestion and motivation tests may not yield meaningful results * * * ."); Cohen & Lemley, *supra*, 89 CAL. L. REV. at 43 ("the diffuse nature of the knowledge base and the lack of a comprehensive system for cataloguing and indexing software-related developments defy even the most knowledgeable and diligent examiner[s]"); FTC REPORT, *supra*, ch. 4, at 40 ("Locating prior art is particularly difficult for business methods.").

[8] Several organizations are working to gather descriptions of otherwise undocumented computer innovations. The Software Patent Institute, for example, "is dedicated to providing information to the public and assisting the United States Patent and Trademark Office and others by providing technical support in the form of educational and training programs and providing access to infor-

the accessible published prior art remains, at best, an incomplete patchwork that records only a fraction of existing advances. Many of the gaps in the record can be attributed to the patent law, which until recently denied patent protection to most software inventions.[9] The incompleteness of the written record also results from rapidity of innovation, which often leads inventors to bypass publishing their work.[10]

A spotty record of prior art may make it difficult to demonstrate that a claimed hardware or software invention is not ***novel***, but it should not also defeat a showing that an invention is ***obvious***. To the contrary, obviousness should function as an independent basis for defeating patentability when, because of poor documentation, novelty cannot be disproved.

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mation and retrieval resources concerning software prior art." See Software Patent Institute Database of Software Technologies, *at* www.spi.org/missendo.htm (last visited August 18, 2006).

[9] In the 1970s, "courts generally rejected software patent application on the grounds that software was really just a concatenations of unpatentable algorithms." Cohen & Lemley, *supra*, 89 CAL. L. REV. at 8. Not until 1998 did the Federal Circuit definitively permit patent protection for a freestanding software computer program. See *State Street Bank & Trust Co. v. Signature Fin. Group, Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998); see also *AT&T v. Excel Communications, Inc.*, 172 F.3d 1352 (Fed. Cir. 1999). The long delay in recognizing software patents still affects today's prior art searches.

[10] See Cohen & Lemley, *supra*, 89 CAL. L. REV. at 6 ("The software industry is characterized by a culture of reuse and incremental improvement, a lack of reliance on systems of formal documentation used in other technical fields, the short effective life of software innovations, and the inherent plasticity of microcode."); Hall & Ziedonis, *supra*, 32 RAND. J. ECON. at 102 (firms designing the central processing chips that run computers are "[d]riven by a rapid pace of technological change and short product life cycles").

Instead, under the current standard, the obviousness determination itself also turns heavily on the quality of the published record of prior art: even if an invention combines prior art elements in a manner that truly would be obvious to one skilled in the art, lack of documentation may make it difficult or impossible for patent examiners or litigants to satisfy the Federal Circuit's test. See Barton, *supra*, 43 IDEA at 482 ("The [Manual of Patent Examining Procedure]'s demand that there be suggestions in the prior art as a prerequisite to combine references converts non-obviousness to something near novelty.").

There is no reason why the incomplete published prior-art record for technology inventions should stand in the way of a showing that an invention is obvious. Indeed, the National Research Council for the National Academies of Sciences has specifically recognized that, because "the common general knowledge is not fully described in published literature that is likely to be consulted by patent examiners, another method of determining the state of general knowledge needs to be employed." NRC REPORT, *supra*, at 81.

Moreover, as we next discuss, the Federal Circuit's single-minded focus on documentation is inconsistent with Section 103(a) and this Court's decisions.

## II. THIS COURT SHOULD REAFFIRM THE BROAD SCOPE OF THE OBVIOUSNESS INQUIRY AND MAKE CLEAR THAT PROOF OF A SPECIFIC "SUGGESTION, TEACHING, OR MOTIVATION" IS NOT ESSENTIAL TO A FINDING OF OBVIOUSNESS

The legal issue before the Court in this case resembles in key respects the one the Court addressed last Term in *eBay*. There, the governing statute provided that district courts "may grant injunctions" (35 U.S.C. § 283), and this Court had interpreted similar statutory language to require application of the traditional four-factor test for determining the

propriety of injunctive relief. The Federal Circuit nonetheless held that district courts "will issue permanent injunctions * * * absent exceptional circumstances." 126 S. Ct. at 1839. This Court reversed, holding that district courts must exercise their discretion "consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards." *Id.* at 1841.

Here, the statute bars issuance of a patent if the claimed invention "would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains." 35 U.S.C. § 103(a). This Court has construed that language to require a case-specific inquiry akin to the "reasonable person" standard applied in negligence actions. The Federal Circuit's standard curtails the inclusive inquiry mandated by Congress, holding that a patent is obvious only if the prior art contains some "teaching, suggestion or motivation" respecting the claimed invention.

Although the Federal Circuit surely has identified one means of demonstrating obviousness, the lower court's error is its view that this constitutes the ***only*** way to show obviousness. That conclusion is just as inconsistent with the statutory language and this Court's precedents as the rigid Federal Circuit rule overturned in *eBay*. This Court should make clear that obviousness may be demonstrated through ***any*** evidence establishing that the claimed invention would have been obvious "to a person having ordinary skill in the art to which said subject matter pertains."

This Court also should correct another error in the Federal Circuit's understanding of obviousness. Even if the prior art clearly reveals a "teaching, suggestion, or motivation" for the claimed combination of prior art elements, the Federal Circuit refuses to grant summary judgment to the defendant in an infringement action whenever the patent holder musters the sort of circumstantial evidence of non-obviousness that this Court has downplayed as having only "secondary"

status. Because the realities of patent litigation are such that there is almost always at least a triable issue of fact on one of these "secondary" factors, the Federal Circuit's standard effectively deprives defendants in infringement actions of summary disposition, therefore dooming them to the unenviable choice between an expensive trial and an exorbitant settlement. Nothing in the statutory language or this Court's decisions requires that absurd result.

### A. The Federal Circuit's "Teaching, Suggestion, Or Motivation" Test Improperly Disregards Other Methods Of Demonstrating That A Claimed Invention Is Obvious To A Person Having Ordinary Skill In The Art

Section 103(a) of the Patent Act of 1952 is a cornerstone of the congressional—and constitutional—policy to grant patent protection to foster the dissemination of technological innovations. See U.S. CONST. art I, § 8, cl. 8 (granting patent power to "promote the progress of science and useful arts"). As one of the principal drafters of the Patent Act of 1952 observed, obvious discoveries do not merit patent protection because they would "be made anyway, without the 'fuel of interest' which the patent system supplies." Giles S. Rich, *The Principles of Patentability*, 42 J. PAT. OFF. SOC'Y 75, 81–82 (1960).

Indeed, Justice Bradley explained over a century ago that conferring patent monopolies on the obvious would "obstruct" rather than "stimulate invention" by "creat[ing] a class of speculative schemers" who would use patents on trifling innovations "to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the art[s]." *Atl. Works v. Brady*, 107 U.S. 192, 200 (1883). Thus, Section 103's non-obviousness requirement ensures that "concepts within the public grasp, or those so obvious that they readily could be, are the tools of creation

available to all." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989).

In *Hotchkiss v. Greenwood*, 52 U.S. (11 How.) 248, 267 (1850), this Court ruled that patent protection does not extend to an "improvement [that] is the work of the skilful [sic] mechanic," rather than "that of the inventor." In *Graham*, this Court concluded that Section 103(a) "was intended merely as a codification" of *Hotchkiss* and subsequent decisions holding that claimed inventions must take a sufficiently innovative step from the prior art to be patentable. 383 U.S. at 17.

In particular, while "the ultimate question of patent validity is one of law," the obviousness determination is informed by "factual inquiries" into "the scope and content of the prior art," the "differences between the prior art and the claims at issue," and "the level of ordinary skill in the pertinent art." *Ibid.* (citation omitted). If the hypothetical person of ordinary skill in the relevant art would be capable of making the inventive step from the prior art, then the subject matter of the claimed invention is obvious. This Court further explained that "secondary considerations," such as "commercial success, long felt but unsolved needs, failure of others, etc.," are "indicia of obviousness or nonobviousness" that "may have relevancy." *Id.* at 18.

The Court in *Graham* expressly eschewed any rigid formula for conducting the non-obviousness inquiry. Instead, the Court explained that the non-obviousness determination would depend on the "given factual context" in a manner akin to other fact-sensitive legal judgments, such as "negligence and scienter," that are "amenable to a case-by-case development." *Ibid.*

Indeed, this Court's post-*Graham* decisions applying the obviousness requirement demonstrate that a claimed invention may be obvious or non-obvious for a variety of reasons. For example, in *United States v. Adams*, 383 U.S. 39 (1966), the Court ruled that a combination patent on a new type of

battery was non-obvious not merely because the prior art did not suggest combining the elements in the manner claimed, but rather because the prior art taught ***away*** from the new combination, the new battery "unexpected[ly]" functioned better than predecessor batteries, and "noted experts expressed disbelief" that the new battery could possibly work. *Id.* at 51–52.

In *Sakraida v. Ag Pro, Inc.*, 425 U.S. 273 (1976), the Court deemed a combination patent on a "water flush system to remove cow manure from the floor of a dairy barn" to be obvious because the manner in which the publicly known elements were rearranged merely "exploit[ed] * * * the principle of gravity" without demonstrating any synergistic effect. *Id.* at 282.

And in *Dann v. Johnston*, 425 U.S. 219 (1976), the Court held that a computerized system for "provid[ing] bank customers with an individualized and categorized breakdown of their transactions during the period in question" was obvious because, given the "extensive use of data processing systems in the banking industry" and the patented system's similarity in "characteristics and capabilities" to known computerized data processing systems, "[t]he gap between the prior art and respondent's system is simply not so great as to render the system nonobvious to one reasonably skilled in the art." *Id.* at 222, 229–30.[11]

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[11] Nor do the obviousness decisions preceding the 1952 Patent Act, which Section 103 codifies, *Graham*, 383 U.S. at 17, contain a rigid "teaching, suggestion, or motivation" requirement. See, *e.g.*, *Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 151–52 (1950); *Toledo Pressed Steel Co. v. Standard Parts, Inc.*, 307 U.S. 350, 356 (1939); *Lincoln Eng'g Co. of Ill. v. Stewart-Warner Corp.*, 303 U.S. 545, 549 (1938); *Adams v. Bellaire Stamping Co.*, 141 U.S. 539, 542 (1891); *Reckendorfer v. Faber*, 92 U.S. 347, 357 (1875); *Hailes v. Van Wormer*, 87 U.S. 353, 368 (1873); *Hotchkiss*, 52 U.S. (11 How.) at 265–67.

The common-sense, case-specific approach with which this Court has evaluated obviousness adheres to the intent of Section 103(a) much more closely than the Federal Circuit's rigid formulation. By requiring objective evidence in the prior art of a teaching, suggestion, or motivation to combine known elements, the Federal Circuit's test substantially conflates non-obviousness with novelty and that inquiry's single-minded focus on the precise content of the prior art.

Even more importantly, the court of appeals' view disregards the ability of a "person of ordinary skill in the art" to rearrange old elements without being told, merely by exercising common sense, especially if the innovative step is a trifling one. Under this approach, even the most trivial rearrangement of prior art elements may receive patent protection, as long as the particular combination has not been written down before.

For example, in one case, the Federal Circuit reversed a determination by the PTO that a claimed invention of a lawn trash bag having a Halloween pumpkin design was obvious because the prior art references—describing conventional trash bags and methods for making "paper bag pumpkins"—did not specifically suggest the combination of those references. See *In re Dembiczak*, 175 F.3d 994, 997, 1000 (Fed. Cir. 1999). Although common sense dictates that such a combination is obvious, the Federal Circuit ruled that the PTO could not rely on common sense in determining that the decorated trash bags were not patentable.

In fact, the Federal Circuit has repeatedly ruled that "[c]ommon knowledge and common sense" ***never*** adequately substitute for evidence of a "specific hint or suggestion" to combine the prior art references. *In re Lee*, 277 F.3d at 1344–45; see also *In re Huston*, 308 F.3d 1267, 1280 (Fed. Cir. 2002) (affirming invalidation of combination patent as obvious in light of "common knowledge and common sense," only because the Board of Patent Appeals also "has found the

motivation [for the combination] in the prior art references themselves"); *In re Zurko*, 258 F.3d 1379, 1386 (Fed. Cir. 2001) ("The Board cannot simply reach conclusions based on its own understanding or experience—or on its assessment of what would be basic knowledge or common sense [to one of ordinary skill in the art]."). While the Federal Circuit's standard has frequently been applied to invalidate findings of obviousness in appeals from PTO determinations, the standard is even more difficult to satisfy when defending against an infringement claim in district court—where a patent's invalidity must be established by "clear and convincing" evidence.

The Federal Circuit's approach is not only inconsistent with this Court's decisions, it also conflicts with the way other nations with similar patent systems avoid giving patents to obvious inventions. The European Union's analogue to obviousness is the "inventive step" requirement. See European Patent Convention art. 52(1), 56, 1065 U.N.T.S. 255 (1973). In identifying patent applications that lack the requisite "inventive step," the EU does ***not*** impose any requirement paralleling the Federal Circuit's "teaching, suggestion, or motivation" rule. As one commentator has written, "It is normally regarded as part of the skill of a skilled person that, being aware of the literature in his own and related fields, he is in principle capable of seeking and recognising technical developments which can be derived from simple combinations of documents within such literature." Gerald Paterson, THE EUROPEAN PATENT SYSTEM 549 (2d ed. 2001).

The flexibility in assessing claimed inventions for obviousness that this Court prescribed in *Graham* is a sensible construction of Section 103(a) for the additional reason that the obviousness inquiry must be structured to produce equivalent results in all fields of scientific and technical knowledge. Even if there were a convincing argument that the content of the prior art could somehow serve as a sure barometer of obviousness in mature fields (and we believe

there is not), such an argument could only rest on the view that, because of the sheer abundance of the prior art, the absence of a teaching, suggestion, or motivation permits an inference of non-obviousness. That reasoning is wholly inapplicable to fields such as computer hardware and software, in which the prior art less visibly illuminates the ability of the person of ordinary skill in the art to combine prior-art references. That fact provides another basis for rejecting the court of appeals' straitjacket on the obviousness inquiry.

The Federal Circuit has justified its standard as a necessary bulwark against "hindsight-based obviousness analysis." Pet. App. 6a–7a (quoting *In re Dembiczak*, 175 F.3d at 999). But the Federal Circuit's desire to minimize hindsight bias, however salutary, does not justify its adoption of a prophylactic test that departs from the standard mandated by Congress. See, *e.g.*, *Dir. Office of Workers' Comp. Programs, Dep't of Labor v. Newport News Shipbuilding & Dry Dock Co.*, 514 U.S. 122, 135–36 (1995) (explaining that the "proposition that the statute at hand should be liberally construed to achieve its purposes * * * does not add features that will achieve the statutory 'purposes' more effectively").

Decision-makers should, of course, take steps to avoid hindsight bias: this Court has commended the use of "secondary considerations" as objective indicia of non-obviousness that help guide district courts in conducting obviousness inquiries. See *Graham*, 383 U.S. at 17–18. But the Court has carefully explained that these objective indications of non-obviousness do not necessarily override other factors pointing toward obviousness. See *Sakraida*, 425 U.S. at 282–83; *Anderson's-Black Rock, Inc. v. Pavement Salvage Co.*, 396 U.S. 57, 61 (1969).

The Federal Circuit has taken the opposite approach—adopting a narrow inquiry that trumps the broad statutory test. But it has ignored the risk—a risk that most observers believe has materialized—that its cure is worse than the dis-

ease. Its test forces courts and examiners to close their eyes to entire categories of evidence of obviousness out of an inordinate fear of hindsight bias. The appropriate safeguard against hindsight bias is, instead, careful application of the standard announced by the Court in *Graham*.[12]

Finally, defenders of the Federal Circuit's approach argue that it does not circumscribe the obviousness inquiry, pointing to that court's statements that teaching, suggestion, or motivation "may be found * * * implicitly * * * in the knowledge of those of ordinary skill in the art that certain references * * * are of special interest or importance in the field," or "from the nature of the problem to be solved, 'leading inventors to look to references relating to possible solutions to that problem.'" Pet. App. 6a (citations omitted). A more recent Federal Circuit decision contends that its teaching, suggestion, motivation test is "consistent with" Section 103(a) and *Graham* by downplaying the starring role that the Federal Circuit's test assigns to evidence from prior art in determining obviousness. *In re Kahn*, 441 F.3d 977, 987 (Fed. Cir. 2006).

Nevertheless, the majority of the Federal Circuit's decisions still require "objective evidence" of a particular "teaching, motivation, or suggestion to * * * combine the [prior art] references." *In re Lee*, 277 F.3d at 1343; see also *In re Zurko*, 258 F.3d at 1386 (requiring "concrete evidence" of prior art teaching, suggesting, or motivating combination); *In re Dembiczak*, 175 F.3d at 999 (refusing to deem claimed invention to be obvious absent "actual evidence" showing a

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[12] Significantly, the other inquiries to which this Court in *Graham* analogized the obviousness test—negligence and scienter—also carry a risk of hindsight bias. When an accident causing substantial harm is examined retrospectively, there is a natural impulse to conclude that a "reasonable person" would have taken some action to avoid the harm. Yet the tort standard does not incorporate a prophylactic barrier against that impulse.

"clear and particular" reason to combine the prior art references); *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1351–52 (Fed. Cir. 1998) (ruling that a "teaching or suggestion or motivation" to combine prior art references is an "essential evidentiary component" of any obviousness determination).

If the Federal Circuit in fact applies a broader standard, then rejection by this Court of its narrow test will simply clarify the law—just as this Court's holding in *eBay* eliminated any doubt about the governing standard. This Court should unambiguously reject the view that evidence of a teaching, suggestion and motivation is the ***only*** way of showing that an invention is obvious and hence unpatentable.

### B. The Federal Circuit Places Inordinate Weight On "Secondary" Circumstantial Evidence Of Obviousness

As discussed above, even when a defendant in an infringement action points to objective evidence of a "teaching, suggestion, or motivation" to combine the elements of the claimed invention, the Federal Circuit generally withholds summary judgment of invalidity if the patent holder submits ***any*** circumstantial evidence of nonobviousness, such as commercial success or long felt but unsolved needs.

Although this Court in *Graham* downplayed this sort of evidence as constituting "***secondary*** considerations" of nonobviousness that "***may*** have relevancy" (383 U.S. at 17–18 (emphases added)), the Federal Circuit insists that this evidence deserves equal billing with conclusions derived from the prior art, even if based upon the Federal Circuit's documented prior-art standard. *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1380 (Fed. Cir. 1986).[13] The

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[13] See also *Tec Air, Inc. v. Denso Mfg. Mich. Inc.*, 192 F.3d 1353, 1360 (Fed. Cir. 1999) ("[O]bjective evidence of non-obviousness may be used to rebut a *prima facie* case of obviousness based on

Federal Circuit has even instructed that "evidence of secondary considerations may often be the ***most*** probative and cogent evidence in the record." *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538 (Fed. Cir. 1983) (emphasis added); see *In re Piasecki*, 745 F.2d 1468 (Fed. Cir. 1984) (reversing trial court's finding of obviousness based on secondary considerations); *Simmons Fastener Corp. v. Ill. Tool Works, Inc.*, 739 F.2d 1573, 1575–76 (Fed. Cir. 1984) (same).

The Federal Circuit's undue emphasis on "secondary considerations" of non-obviousness has no basis in either Section 103(a) or this Court's decisions. To the contrary, this Court has reiterated that these sorts of "secondary considerations" do not "tip the scales of patentability" when review of the prior art reveals that a claimed invention was obvious to a person of ordinary skill in the art. *Graham*, 383 U.S. at 36; see also *Sakraida*, 425 U.S. at 282–83; *Anderson's-Black Rock*, 396 U.S. at 62–63. As this Court has explicitly instructed, "commercial success without invention will not make patentability." *Great Atl. & Pac. Tea Co.*, 340 U.S. at 153.

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prior art references.") (internal quotation marks omitted); *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1570 (Fed. Cir. 1987) ("[A] court [must] withhold a conclusion of obviousness until it has fully assessed the impact of any objective evidence of nonobviousness."); *Alco Standard Corp. v. Tenn. Valley Auth.*, 808 F.2d 1490, 1499–1501 (Fed. Cir. 1986) (finding that evidence of commercial success and long felt needs demonstrated nonobviousness even though "the prior art provides significant support for the appellants' contention that the '006 patent would have been obvious"); *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538–39 (Fed. Cir. 1983) (holding that "evidence rising out of the so-called 'secondary considerations' must always when present be considered," and noting that it "may often establish that an invention appearing to have been obvious in light of the prior art was not").

The ill effects of the Federal Circuit's approach are demonstrated by the Federal Circuit's treatment of the commercial success factor. Summary judgment on obviousness is virtually unavailable to alleged infringers because some evidence of commercial success is available in virtually every contested case. After all, it is only when money is at stake—that is, when a challenged patent appears to have met with some commercial success—that litigation is worthwhile. See FTC REPORT, *supra*, ch. 4, at 16 ("Yale University President Richard Levin and U.S. District Judge T.S. Ellis III * * * voiced concern that the commercial success test has 'diluted' or 'trivialized' the obviousness inquiry") (footnotes omitted); see also *Pro-Mold & Tool*, 75 F.3d at 1573–74; *Simmons*, 739 F.2d at 1574–76.

As Professor Kitch warned 40 years ago, reliance on secondary considerations such as commercial success to resolve questions of patent validity leads to a rule "that all patents that are litigated should be held valid," because "it is unlikely that patents that are not commercially successful will be brought to litigation." Edmund W. Kitch, *Graham v. John Deere Co: New Standards for Patents*, 1966 SUP. CT. REV. 293, 333. These results, all stemming from the Federal Circuit's obviousness test, illustrate the problems it has caused.

The secondary factors surely are relevant, as this Court held in *Graham*. The Federal Circuit's error is that it automatically elevates these facts to the status of material facts precluding summary judgment regardless of the other evidence relating to obviousness and regardless of how these facts fit into the overall picture. For example, as the FTC pointed out, "[e]ven if commercial success reflects a claimed invention's economic significance, economic significance does not necessarily reflect technical significance * * * so a commercial success standard will not necessarily yield accurate nonobviousness results." FTC REPORT, *supra*, ch.4, at

18. Courts therefore should be cautious about attributing weight to this factor.[14]

Again, the Federal Circuit has lost sight of the governing legal standard. This Court should make clear that the application of the summary-judgment standard turns upon the factual record in each case, and reject the Federal Circuit's transformation of a rule identifying relevant evidence into a substantive standard for obviousness.

[14] The EU does not follow the Federal Circuit's practice of ascribing heavy weight to "secondary factors" of non-obviousness, such as commercial success. Rather, the European Patent Office has instructed that "a mere investigation for indications of the presence of inventive step is no substitute for the technically skilled assessment of the invention." T24/81 *BASF/Metal refining* O.J. EPO 1983, 133; [1979-85] E.P.O.R.: B:354. In other words, according to the EPO, "such so-called secondary indicia in support of an inventive step represent auxiliary considerations which can in certain cases facilitate a decision. . . . However, [their] presence does not mean that an inventive step must be recognized." T270/89 ICI/Fusecord [1987] E.P.O.R. 193 (cases cited in Paterson, *supra*, at 560 n.116; 561 n.117).

## CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted.

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